

FARM SERVICE AGENCY (FSA)

DROUGHT or DISASTER RELATED PROGRAMS

(currently available)

Emergency Haying and Grazing of CRP

In drought or disaster situations, the authorization of the emergency haying and grazing of CRP can be authorized directly by the Agency. Requests typically need to be based on at least a 40% loss in precipitation and a compelling livestock emergency. Currently, 4 requests have been submitted to the FSA National Office in Washington DC and all of these requests have been denied due to the fact there is not a current livestock emergency of cattle being moved, sold or dying due to the related drought conditions.

****NAP – Noninsured Crop Disaster Assistance Program**

In summary, this is an insurance program that provides coverage for crops for which other crop insurance is not available. Coverage under this program must have been purchased by March 15th. Benefits are paid on actual losses. Harvest or an appraisal must occur in order to determine the loss benefit to the producer. **(REFER TO ATTACHED FACT SHEET FOR ADDITIONAL INFORMATION).**

****EM – Emergency Loan Program**

A “loan” program to compensate producers for losses that were incurred by a natural disaster. The county or area must have been determined to be an eligible county due to a Secretarial Disaster Designation or a Presidential Declaration. For production losses, a producer must indicate they have sustained a 30% or greater loss. Harvest must occur in order to determine the loss benefit to the producer. At this time none of the 56 Montana Counties have been referred for a possible Secretarial Designation. **(REFER TO ATTACHED FACT SHEET FOR ADDITIONAL INFORMATION).**

ECP – Emergency Conservation Program

A cost share program that reimburses producers for costs incurred to carry out emergency water conservation during droughts or to assist on other projects to rehabilitate farmland that has been damaged due to a Natural Disaster. Counties requesting ECP due to Drought must be approved by the National FSA Office. Currently, 11 Montana counties have been authorized for ECP regarding the 2008 drought situation; however, there is not any funding for this program to date. A supplemental funding bill by Congress would be necessary to provide funding for this program. **(REFER TO ATTACHED FACT SHEET FOR ADDITIONAL INFORMATION).**

****Possible Assistance through the new Farm Bill**

The new farm bill does contain permanent disaster legislation. Until passage and implementation, it is not known exactly the extent of the benefits or how they will be implemented. It is presumed that the criteria and benefits will be similar to the 2007 Disaster Bill, in which benefits are paid on actual losses determined after harvest has occurred.

Programs no longer available or unavailable due to lack of funding:

- American Indian Emergency Feed Program
- Dried Milk Program

***** Benefits are paid after harvest and an actual loss is determined.***



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Emergency Conservation Program

Montana State Producer Handbook



Purpose

The Emergency Conservation Program (ECP) provides emergency funding for farmers and ranchers to rehabilitate farmland damaged by wind erosion, floods, hurricanes, or other natural disasters, and for carrying out emergency water conservation measures during periods of severe drought.

The natural disaster must create new conservation problems, which, if not treated, would:

1. Impair or endanger the land;
2. Materially affect the productive capacity of the land;
3. Represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and
4. Be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use.

Conservation problems existing prior to the disaster involved are not eligible for cost-sharing assistance. State and County Farm Service Agency (FSA) committees administer ECP.

Program Administration

Subject to availability of funds, county FSA committees, with concurrence by the FSA state committee, are authorized to

implement ECP for eligible farmers for all disasters except drought. When severe drought conditions exist, the determination to implement the program will be made by the Deputy Administrator for Farm Programs (DAFP), FSA.

Before the Work May Begin

Producers **must** contact the county office in person, or by phone, to request ECP cost share **before** starting a practice. Producers who start a practice before requesting ECP funding may be ineligible to receive cost share.

Cost Share

Producers may receive up to 75 percent cost share for installing temporary practices and up to 50 percent cost share for installing permanent practices. Since ECP cost share rates are based on 50 to 75 percent of the actual costs, not to exceed the amounts listed on the Natural Resources Conservation Service (NRCS) cost share list, payments to producers may be less than 50 or 75 percent of their actual costs. The NRCS cost share list is available at your local county FSA office.

Eligibility

Eligibility for ECP assistance is determined by county FSA committees based on individual on-site inspections, taking into account the type and extent of damage. Individual or cumulative requests for cost sharing of

\$50,000 or less per person per disaster may be approved by county FSA committees, and of \$50,001 to \$100,000 by state FSA committees. Cost sharing over \$100,000 must be approved by DAFP. NRCS may provide technical assistance.

Eligibility for cost-share assistance is based on a minimum of \$1,000 of eligible damage. All requests for ECP cost share are subject to the availability of funds.

Emergency Practices

Emergency practices include:

- pipelines, tanks, troughs, constructing or deepening wells, and spring developments;
- submersible pumps (pressure tanks, valves, gages, etc., are not eligible for cost-share.)
- water hauling – cost-share is available for: 1) the labor for delivering water; 2) truck rental for delivering water; 3) temporary holding tanks and troughs; and 4) contracted labor for water delivery;

County FSA committees may authorize other emergency conservation measures with approval of the state FSA committee and DAFP. Farmers or ranchers may enter into pooling agreements to jointly solve mutual conservation problems.

What is Needed to Apply for the Emergency Conservation Program

The applicant needs to:

- on an aerial photo of the area mark all border fences, cross fences, existing water sources, failed water sources (for dams, add years failed and water source used since that date.), and new projects;
- estimate the cost of the new project;
- if tanks, troughs, pipelines or springs are installed, contact NRCS for the project specifications.

After the inspection, the FSA County Committee may issue an approval if all eligibility requirements are met and funding is available.

The practice must be completed 60 days following the FSA county committee approval.

Environmental Review on ECP Projects

ECP requires an environmental review on all applications to ensure the proposed project will not affect any of the natural resources such as:

Wetlands; floodplains; sole source aquifer recharge areas; critical habitat or endangered/threatened species; wilderness; wild or scenic river; natural landmark; historical or archeological sites; water and air quality; noise; important land resources; unique natural features and areas; adverse effects to minority or low income communities; and social and economic conditions.

Based on the request, an on-site review by FSA may be required. If additional information is needed, it will be the producer's responsibility to provide the required information.

If the project involves disturbance of the soil below the existing cultivation zone, a review of the proposed project will be completed

by the State Historical Preservation Officer or Tribal Preservation Officer if the project is located on certain Montana Indian Reservations.

ECP Applications/Projects

cannot be funded until the environmental review process has been completed.

Work may not begin on the project until the environmental review process has been completed.

If an ECP practice is started before the environmental review is completed, cost-share assistance is not authorized.

Completion of the Project

Following completion of the project:

- producers must notify their local FSA county office and submit any bills or receipts from the project.
- if the producer does the work themselves, a log of the hours and type of work that was completed, must be signed and submitted.
- proof must be provided showing all bills and/or invoices have been paid. This may be done with a copy of cancelled checks, a copy of a credit card receipt, or a written statement from the contractor or supplier that the bills have been paid.
- a project inspection will be conducted by NRCS or FSA and a cost-share payment may be issued.

Funding

Congress appropriates funding for the program.

For Additional Information

Additional information may be obtained at local FSA offices or through the Montana FSA Web site at www.fsa.usda.gov/mt

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Emergency Loan Assistance

Montana State Producer Handbook



Overview

USDA's Farm Service Agency (FSA) provides Emergency Loans (EM) to help producers recover from production and physical losses due to drought, flooding, quarantine or other natural disasters. Only counties declared as disaster areas by the President or designated by the Secretary of Agriculture are eligible for EM assistance. For physical losses, the FSA Administrator may authorize EM assistance.

Loan Uses

Emergency loan funds may be used to:

- Restore or replace essential property;
- Pay all or part of production costs associated with the disaster year;
- Pay essential family living expenses;
- Reorganize the farming operation; and
- Refinance certain debts.

Eligibility

Emergency loans may be made to farmers and ranchers who:

- Are established family farm operators and have sufficient farming or ranching experience;
- Are citizens or permanent residents of the United States;
- Have suffered at least a 30-percent loss in crop

production based on the previous 3-year crop average;

- A substantial loss to livestock, livestock products, real estate, or chattel property;
- Have an acceptable credit history;
- Are unable to receive credit from commercial sources;
- Can provide collateral to secure the loan;
- Have repayment ability;
- Applicant must demonstrate the intent to continue the farm operation after the disaster.

Loan Requirements

FSA loan requirements are different from those of other lenders. Some of the more significant differences are the following:

- Borrowers must keep acceptable farm records;
- Borrowers must operate in accordance with a farm plan they develop and agree to with local FSA; and
- Borrowers may be required to participate in a financial management-training program and obtain crop insurance.

Collateral

All emergency loans must be fully collateralized. The specific type of collateral may vary depending on the loan purpose, repayment ability and the individual circumstances of the applicant. If applicants cannot provide

adequate collateral, their repayment ability may be considered as collateral to secure the loan. A first lien is required on property or products acquired, produced, or refinanced with loan funds.

Loan Limit

Producers can borrow up to 100 percent of actual production or physical losses, to a maximum amount of \$500,000.

Loan Terms

Loans for crop, livestock, and non-real estate losses are normally repaid within 1 to 7 years; depending on the loan purpose, repayment ability, and collateral available as loan security. In special circumstances, terms of up to 20 years may be authorized. Loans for physical losses to real estate are normally repaid within 30 years. In certain circumstances, repayment may be made over a maximum of 40 years.

Interest Rate

The current annual interest rate for emergency loans is 3.75 percent.

Application Deadline

Applications for emergency loans must be received within 8 months of the county's disaster or quarantine designation date.

Temporary Assistance

Borrowers who receive temporary assistance are expected to return to conventional credit sources.

Emergency loans are a temporary source of credit, and borrowers are reviewed periodically to determine whether they can return to commercial credit.

How to Apply for an Emergency Loan

If a producer is applying for an emergency loan based on losses in an area that has been designated an agriculture disaster, he/she should fill out the following forms:

- Form FmHA 1945-22
"Certification of Disaster Losses"; and
- Form FmHA 1940-38
"Request for Lender's Verification of Loan Application."

Actual Production History (APH) yields for the past five years must be established by a producer's crop insurance company and will be used to calculate losses. If APH yields are not available, three years of production history will be used.

For Additional Information

Additional information may be obtained at local FSA offices or through the Montana FSA Web site at: www.fsa.usda.gov/mt

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Noninsured Crop Disaster Assistance Program

Montana State Producer Handbook



Background

The Noninsured Crop Disaster Assistance Program (NAP) is a federally funded program that provides financial assistance to producers of noninsurable crops when low yields, loss of inventory, or prevented planting occurs as the result of natural disasters. NAP provides coverage for crops for which the catastrophic level of insurance is not available.

Eligible Crops

Crops that are noninsurable and eligible for disaster assistance include commercially produced:

- crops grown for food;
- crops planted and grown for livestock consumption, including but not limited to grain, seeded and native forage crops;
- crops grown for fiber, such as cotton and flax, except for trees;
- crops grown under a controlled environment, such as mushrooms and floriculture;
- specialty crops, such as honey and maple sap;
- value loss crops, such as aquaculture, Christmas trees, ginseng, ornamental nursery, and turfgrass sod;
- Seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

Natural Disasters

Natural disasters include:

- damaging weather, such as drought, hail, freeze, hurricane, excessive moisture or wind;
- an adverse natural occurrence, such as an earthquake or a flood; or
- a condition related to damaging weather or adverse natural occurrence such as disease or insect infestation.

Note: *The natural disaster must occur before or during harvest and must directly affect the noninsurable crop.*

Producer Eligibility Requirements

An eligible producer is a landowner, tenant, or sharecropper who shares in the risk of producing a crop that qualifies as noninsurable. The annual gross revenue of the eligible producer and any individual or entity combined as one "person" with the eligible producer, must not exceed \$2 million.

Note: *If you have questions regarding your eligibility, contact your local Farm Service Agency (FSA) office.*

Program Eligibility Requirements

Producers must meet all program requirements in order to take advantage of NAP assistance in the

event of a disaster. The producer must provide certain information to FSA annually before a disaster occurs. Specifically, producers must:

- certify that they comply with all highly erodible land and wetland conservation requirements;
- report crop losses within 15 days of the date disaster occurs or the date crop damage becomes apparent;
- request payments by the acreage reporting date for the crop following the year in which the loss occurred;
- accurately report the acreage and shares for all crops potentially eligible for NAP, certify crop production history, and report current crop year production on or before the required deadline.

If you have questions regarding acreage reporting dates, contact your local FSA office.

Determination of Crop Losses

As with crop insurance, FSA allows producers to establish an expected level of production to reflect normal production capabilities.

Except for a few crops that are considered "value loss" crops, the actual history of producing the crop is used to determine the extent of the loss in the disaster year. FSA calculates normal yields by averaging producers' actual yields over a 4 to 10 year period. If at least 4 years of acceptable production records are not provided, a yield will be assigned,

which may be lower than the actual average yield.

Individual crop losses are determined on a unit basis. A unit includes all the acreage of the crop in the administrative county in which the producer has the same interest. For example, land owned by a producer is included in the same unit with land leased by the producer, if a 100 percent share in the crop is maintained on both operations.

Payment of NAP

FSA compensates eligible producers for:

- losses of noninsurable crops exceeding 50 percent of the expected yield based on 55 percent of the average market price of the commodity;
- prevented planting of more than 35 percent of the intended acreage.

To reflect a decrease in production costs incurred, the payment rate is reduced for any crop that is unharvested or prevented from being planted. Payments under NAP to any single person cannot exceed \$100,000 for any given crop year. Producers cannot receive assistance for the same loss under more than one USDA program.

For payment calculation examples, please refer to "NAP Payment Examples" on page 3 of the fact sheet.

NAP Coverage

Crop Losses

NAP will be based on individual producer crop losses.

Application for Coverage

Eligible producers must apply for coverage on noninsurable crops. All applications for coverage must be filed and the applicable service fees paid at the local FSA office by the application closing date. State

committees establish application-closing dates.

Service Fees

Eligible producers must pay a service fee of \$100 per crop per administrative county or \$300 per producer per county, not to exceed \$900 for a producer with farming interests in multiple counties.

Service fees may be waived for limited-resource producers.

Coverage Period

The coverage period is the time during which coverage is available against loss of production of the noninsurable crop as a result of a natural disaster. The coverage period varies depending on the type of crop grown, which may be annual, perennial, value loss, etc. The date coverage ends is normally the same among crops and ends the earlier of:

- the date harvest is completed;
- the normal harvest date in the area;
- abandonment of the crop;
- total destruction of the crop.

Note: *Value loss crops and specialty crops have different coverage periods and ending dates. For complete information on coverage periods and ending dates, contact your local FSA office.*

Participant Responsibilities

Eligible producers who participate must:

1. Be aware of program deadlines that apply in the counties where you have farming interests;
2. File an application for coverage **CCC-471**, and pay the applicable service fees at your local FSA office by the application closing date;
3. Request a waiver of service fees if you are a limited-resource producer;
4. File Notice of Loss, Part B, **CCC-576** within 15 days of loss.

5. Complete payment eligibility forms: Application for Payment, **CCC-576**;
6. Certify your gross revenue;
7. Comply with all other program requirements, including highly erodible land and wetland conservation;
8. Provide documentation to establish actual production history and support most recent year production;
9. Annually report your crop acreage, yield, and production at your local FSA office;
10. Timely file a notice of crop loss and give FSA the opportunity to inspect the acreage;
11. Timely file an application for payment in order to receive financial assistance through NAP.

Payment of Service fee does not guarantee coverage.

Information Required to Remain Eligible for NAP

To remain eligible for NAP assistance, the producer must report the following crop information annually:

- name of the crop;
- type and variety of the crop;
- location and acreage of the crop;
- share of the crop and the names of other producers with an interest in the crop;
- type of practice used to grow the crop, such as irrigated or non-irrigated;
- date the crop was planted in each field; and
- intended use of the commodity.

In addition, production must provide the following production information annually:

- the quantity of all harvested production of the crop in which the producer held an interest during the crop year;
- the disposition of the harvested crop, such as whether it is marketable, unmarketable, salvaged, or

used differently than intended;
and

- verifiable or reliable crop production records.

Failure to Report

Failure to report acreage and production information may result in reduced or zero NAP assistance.

Spring Application Deadline

FSA has set March 15, 2007 as the application sales closing date for all 2007 crops except "value loss" and honey.

In Montana, NAP coverage may be available for hay type barley varieties intended for seed.

Overage stands of irrigated alfalfa and alfalfa grass mixtures are now eligible for crop insurance coverage.

Crop situations that will not be eligible for NAP coverage include insurable crops planted in unrated map areas, however, those crops will be eligible for crop insurance through written agreements. Contact your Crop Insurance Agent for more information.

NAP Important Dates for 2007

March 15 NAP application sales closing date for all 2007 crops except "value loss" and honey.

Nap pull-off date – varies by county. Check with your local county FSA office for the exact date.

Notice of Loss – is 15 calendar days following the disaster

July 15 Final NAP production reports are due for 2006

July 15 Final date to file 2006 crop application for NAP payment

December 1 2008 NAP application closing date for honey.

For More Information

Additional information may be obtained at local FSA offices or through the Montana FSA Web site at: <http://www.fsa.usda.gov/mt>.

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NAP PAYMENT EXAMPLES

NAP is designed to provide some crop loss protection during times of catastrophic losses. The following examples show what a producer might receive as a NAP payment when 100 acres of dryland barley hay, 100 acres of dryland triticale, and 640 acres of native range are timely reported and subsequently lost due to a natural disaster. Remember that NAP only covers the actual disaster loss in excess of 50% at 55% of the market price established by the State Committee (STC).

Barley intended for Hay:

$1.6 \text{ T/ac. APH} \times 50\% \text{ coverage level} = 0.8 \text{ T/ax. NAP coverage guarantee}$

$\$75.00/\text{Ton NAP Price} \times 55\% \text{ coverage rate} = \$41.25/\text{Ton NAP payment rate}$

$100 \text{ planted acres} \times 0.8 \text{ T/ac.} = 80 \text{ Tons guarantee}$

$80 \text{ Tons} - 0.0 \text{ production to count (appraisal)} = 80 \text{ Tons for payment}$

$80 \text{ T} \times \$41.25/\text{T} \times 87\% \text{ planted but unharvested factor} = \2871 payment

Triticale intended for grain:

$40 \text{ BU/ac. APH} \times 50\% = 20 \text{ BU/ac. NAP guarantee}$

$\$2.63/\text{BU} \times 55\% = \$1.45/\text{BU NAP payment rate}$

$100 \text{ acres} \times 20 \text{ BU/ac.} = 2000 \text{ BU guarantee}$

$2000 \text{ BU} - 500 \text{ BU actual harvested quantity} = 1500 \text{ BU for payment}$

$1500 \text{ BU} \times \$1.45/\text{BU} = \2175 payment

Native grass for grazing:

20.3 acres per animal unit carrying capacity (set by COC)

215-day grazing period for native range (set by COC)

70% grazing loss (set by COC and approved by STC)

\$0.5304 per animal unit day (AUD) rate (set by national office)

$640 \text{ acres native pasture} \div 20.3 \text{ ac/AU} \times 215 \text{ days} = 6778 \text{ normally expected AUD's}$

$6778 \text{ expected AUD's} \times 20\% \text{ (grazing loss over 50\%)} = 1356 \text{ AUD's eligible for NAP payment.}$

$1356 \text{ pmt AUD's} \times \$0.5304 \times 55\% = \$396.00 \text{ total NAP payment}$